

Equipment Leasing and Finance Industry Confidence Eases Further in August

Washington, DC, August 16, 2018 – The **Equipment Leasing & Finance Foundation** (the Foundation) releases the August 2018 **Monthly Confidence Index for the Equipment Finance Industry** (MCI-EFI) today. Designed to collect leadership data, the index reports a qualitative assessment of both the prevailing business conditions and expectations for the future as reported by key executives from the \$1 trillion equipment finance sector. Overall, confidence in the equipment finance market eased again in August to 60.7, down from the July index of 62.8.

When asked about the outlook for the future, MCI-EFI survey respondent **Paul Menzel, CLFP, President and CEO, Financial Pacific Leasing, Inc., an Umpqua Bank Company**, said, ““Uncertainty” is the theme in the economy for the balance of 2018. Between the Administration's trade strategy, the mid-term elections, and the President's political challenges, decision makers are taking a wait-and-see approach to business investment.”

August 2018 Survey Results:

The overall MCI-EFI is 60.7, a decrease from 62.8 in July.

- When asked to assess their business conditions over the next four months, 13.3% of executives responding said they believe business conditions will improve over the next four months, a decrease from 19.4% in July. 80% of respondents believe business conditions will remain the same over the next four months, an increase from 77.4% the previous month. 6.7% believe business conditions will worsen, an increase from 3.2% who believed so the previous month.
- 16.7% of survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, a decrease from 19.4% in July. 83.3% believe demand will “remain the same” during the same four-month time period, an increase from 77.4% the previous month. None believe demand will decline, down from 3.2% who believed so in July.
- 16.7% of the respondents expect more access to capital to fund equipment acquisitions over the next four months, up slightly from 16.1% in July. 83.3% of executives indicate they expect the “same” access to capital to fund business, a slight decrease from 83.9% last month. None expect “less” access to capital, unchanged from last month.
- When asked, 36.7% of the executives report they expect to hire more employees over the next four months, a decrease from 45.2% in July. 63.3% expect no change in headcount over the next four months, an increase from 51.6% last month. None expect to hire fewer employees, a decrease from 3.2% in July.
- 40% of the leadership evaluate the current U.S. economy as “excellent,” down from 41.9% last month. 60% of the leadership evaluate the current U.S. economy as “fair,” up from 58.1% in July. None evaluate it as “poor,” unchanged from last month.

- 13.3% of the survey respondents believe that U.S. economic conditions will get “better” over the next six months, a slight increase from 12.9% in July. 73.3% of survey respondents indicate they believe the U.S. economy will “stay the same” over the next six months, a decrease from 77.4% the previous month. 13.3% believe economic conditions in the U.S. will worsen over the next six months, an increase from 9.7% in July.
- In August, 33.3% of respondents indicate they believe their company will increase spending on business development activities during the next six months, a decrease from 45.2% in July. 66.7% believe there will be “no change” in business development spending, an increase from 54.8% the previous month. None believe there will be a decrease in spending, unchanged from last month.

August 2018 MCI-EFI Survey Comments from Industry Executive Leadership:

Independent, Small Ticket

“I think there remains pent-up demand for capital equipment, and strong economic activity bodes well for portfolio performance. My concerns are about the impact of trade wars on equipment manufacturers’ prices, and the politicization of Fed interest rate moves, which would lead to overheating and inflation.” **Quentin Cote, CLFP, President, Mintaka Financial, LLC**

Independent, Small Ticket

“Our application rate and quality have remained steady over the typically slower summer months signaling a strong fourth quarter. Interest rates continue to be attractive even after earlier rate hikes. Businesses continue to expand at a strong rate and equipment finance continues to be a substantial component of that trend.” **Valerie Hayes Jester, President, Brandywine Capital Associates**

Bank, Middle Ticket

“Trade tariffs are having an impact on capital investment by customers. Some are continuing to move forward, others are delaying investment. Overall, we are seeing business activity slightly behind levels from a year ago.” **Michael Romanowski, President, Farm Credit Leasing Services Corporation**

Why an MCI-EFI?

Confidence in the U.S. economy and the capital markets is a critical driver to the equipment finance industry. Throughout history, when confidence increases, consumers, and businesses are more apt to acquire more consumer goods, equipment, and durables, and invest at prevailing prices. When confidence decreases, spending and risk-taking tend to fall. Investors are said to be confident when the news about the future is good and stock prices are rising.

Who participates in the MCI-EFI?

The respondents are comprised of a wide cross-section of industry executives, including large-ticket, middle-market and small-ticket banks, independents, and captive equipment finance companies. The MCI-EFI uses the same pool of 50 organization leaders to respond monthly to

ensure the survey's integrity. Since the same organizations provide the data from month to month, the results constitute a consistent barometer of the industry's confidence.

How is the MCI-EFI designed?

The survey consists of seven questions and an area for comments, asking the respondents' opinions about the following:

1. Current business conditions
2. Expected product demand over the next four months
3. Access to capital over the next four months
4. Future employment conditions
5. Evaluation of the current U.S. economy
6. U.S. economic conditions over the next six months
7. Business development spending expectations
8. Open-ended question for comment

How may I access the MCI-EFI?

Survey results are posted on the Foundation website, <https://www.leasefoundation.org/industry-resources/monthly-confidence-index/>, included in the [Foundation Forecast eNewsletter](#), and included in press releases. Survey respondent demographics and additional information about the MCI are also available at the link above.

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ABOUT THE FOUNDATION

The Equipment Leasing & Finance Foundation is a 501c3 non-profit organization that propels the equipment finance sector—and its people—forward through industry specific knowledge, intelligence, and programs that contribute to industry innovation, individual careers, and the overall betterment of the equipment leasing and finance industry. The Foundation is funded through charitable individual and corporate donations. Learn more at www.leasefoundation.org.

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